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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, January 30, 2003

PETITION OF

CASE NO. PUE-2002-00649

VIRGINIA ELECTRIC AND POWER COMPANY

and

DOMINION TRANSMISSION, INC.

For approval of a pipeline construction
contract and pipeline operation and maintenance
agreement under Chapter 4, Title 56 of the
Code of Virginia

ORDER GRANTING APPROVAL

On November 13, 2002, Virginia Electric and Power Company (“Dominion Virginia Power” or the “Company”) and Dominion Transmission, Inc. (“DTI”) (collectively, the “Petitioners”), filed a petition with the State Corporation Commission (“Commission”) under Chapter 4, Title 56 of the Code of Virginia requesting approval to increase the maximum amount of costs that Dominion Virginia Power is authorized to reimburse DTI under the Pipeline Construction Contract associated with the gas pipeline for service to the Possum Point Power Station from \$24,275,000 to \$28,900,000.

Dominion Virginia Power is a Virginia public service corporation providing electric retail service to customers in its service territory in North Carolina and Virginia. Dominion Virginia Power is a wholly owned direct subsidiary of Dominion Resources, Inc. (“Dominion”).

Dominion is a holding company as defined in the Public Utility Holding Company Act of 1935 and is subject to regulation by the Securities and Exchange Commission.

DTI is a Delaware corporation engaged in the ownership and operation of facilities for the transmission of natural gas in interstate commerce subject to regulation by the Federal Energy Regulatory Commission under the Natural Gas Act. DTI is a wholly owned, indirect subsidiary of Dominion.

In Case No. PUA-2001-00025 (PUA010025), on June 29, 2001, the Commission issued an Order Granting Approval of a Pipeline Construction Contract between Dominion Virginia Power and its affiliate, DTI, for the construction by DTI of natural gas pipeline facilities (“New Gas Facilities”) needed to receive and deliver natural gas to Dominion Virginia Power’s Possum Point Power Station. The Order Granting Approval provided that Dominion Virginia Power was authorized to pay DTI up to \$24,275,000 in construction costs and that, if DTI incurred additional costs, Dominion Virginia Power and DTI would need to file a new application for reimbursement of such costs detailing justification for those costs.

DTI has determined that its updated actual costs for services under the Pipeline Construction Contract are estimated to be as much as \$28,900,000. The original estimate was qualified to be within plus or minus 15%. The New Gas Facilities are nearing completion and may exceed the original cost projections of \$23,457,000 by approximately \$5,443,000, or 23.2%.

As stated in the petition, the increased overall cost is due in part to a longer than estimated pipeline route of 66,662 feet versus an actual length of 72,170 feet, representing an increase of approximately 8.3%. The Virginia Department of Game and Inland Fisheries required relocation of a portion of the pipeline route. This resulted in additional pipeline footage and required supplementary environmental evaluations. Other increases in estimates were due to

increased right-of-way acquisition costs, increased construction cost due to the requirement to relocate a portion of the pipeline and, therefore, increasing the length of the route, and increased costs in engineering, permitting, procurement, and project management. The pipeline alignment was modified slightly at the request of homeowners, and the updated estimates were increased to include potential contractor costs to complete the horizontal directional drilling under the Occoquan Reservoir.

THE COMMISSION, upon consideration of the petition and representations of Petitioners and having been advised by its Staff, is of the opinion and finds that the above-referenced increase is in the public interest and should, therefore, be approved.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 56-77 of the Code of Virginia, Dominion Virginia Power is hereby granted approval to pay DTI up to \$28,900,000 under the Pipeline Construction Contract for the purposes as described herein.

(2) Dominion Virginia Power shall continue to pay DTI the lower of cost or market for services rendered under the Pipeline Construction Contract. Dominion Virginia Power shall file a new application for approval to reimburse DTI any amounts in excess of the maximum \$28,900,000 approved herein. Such application shall include, among other things, detailed justification for the increased costs.

(3) Should any terms and conditions of the Pipeline Construction Contract change from those approved herein and in Case No. PUA-2001-00025, additional Commission approval shall be required for such changes.

(4) Dominion Virginia Power shall bear the burden of proving, during any rate proceeding, that it paid DTI the lower of cost or market for services received under the Pipeline Construction Contract.

(5) The approval granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code of Virginia hereafter.

(6) The Commission reserves the authority to examine the books and records of any affiliate of Dominion Virginia Power, including DTI, in connection with the Pipeline Construction Contract approved herein whether or not the Commission regulates such affiliate.

(7) Dominion Virginia Power shall include the Pipeline Construction Contract approved herein in its Annual Report of Affiliate Transactions submitted to the Director of Public Utility Accounting.

(8) The approval granted herein shall have no implications for ratemaking purposes.

(9) There appearing nothing further to be done in this matter, it hereby is dismissed.